

Gentlement

Your application for exemption from Federal income tax under the provisions of section 501(c)(4) of the Internal Revenue Code has been considered.

The information submitted discloses that you were incorporated to the purposes are to develop, improve and maintain safety and/or health projects for the develop, improve and maintain any and all recreational or other areas in the improve and maintain and maintain roads and a water system develop, improve and
maintain hunting parks available for a by owner of property in the develop, improve and minimize recreational facilities in the provide services to the owners of property in the development and enforce any maintenance agreements covering the or any part thereof, in accord with the terms thereof, including the assessment and collection of maintenance fees and charges as provided thereunder.

The common areas/recreational facilities mointained are approximately miles of natural surface roads, providing acc: ss to property owners' tracts and into the hunt parks; and the lodge area, including cabins, restaurant, bunkhouse, camper hook-ups, swimming pool, livestock barn and corrais, water wells, office building, maintenance barn and facilities, maintenance vehicles, and hunt parks.

Only property to restamilies are alic wed during hunting seasons, with designated areas assigned in the numer parks on a reservation basis. During the bolance of the year non-members are allowed access to the cabins and restaurant when they show up at the locate. However, since the facilities are in such a resistence, services provided to the general poblic are minimal.

In addition to servicing and maintaining the common areas, you make some repairs to individual members' property, billing the members for materials and labor charge.



You make no claim to be a "community" per se. The development covers approximately acres, with over the acres restricted as hunt parks. The majority of the property owners are absentee owners.

Membrahip in your organization is automatic on purchase of a tract of the state of the purchased, or upon notifying the Board of Directors that a tract has been frepurchased from a tract holder.

Income is derived from maintenance fees from mem. .s, fees for use of the cabins and restaurant, and from repairs made to individual members' property.

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

"(4) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the numbership of which is limited to the employees of a designated purson or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable educational or recreational purposes."

Section 1.501(c)(4)-1 of the regulations provides, in part, as follows:

"(a)(1) In general. A civil league or organization may be exempt as an organization described in section 501(c)(4) if --

- (i) It is not organized or operated for profit; and
- (ii) It is operated exclusively for the promotion of social weitare."

"(a)(2)(i) An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Revenue Rading 74-99, 1974-1 C imulative Bulletin 131, states that a homeowners' association, to qualify for exemption section 501(c)(4) of the Code, (i) must serve a "community" which bears a reasonable recognizable relationship to an area ordinarily identified as a governmental subdivision or a unit or district thermof. (2) it must not conduct activities directed to the exterior maintenance of private residences, and (3) the common weas or facilities it owns or maintains must be for the use and enjoyment of the general public.

Inasmuch as membership in your organization is restricted to property owners, and the services and henefits provided are limited primarily to members, it is apparent that you are essentially and primarily formed and operated to provide services and facilities for the business or personal identity of your members, it is such, the presence of these organizational and operational characteristics indicates that you are not primarily promoting in some way the common good and general weifare of the people of the community.

Accordingly, we have concluded that you have not met the requirements of section 501(c)(4) of the Code and that you do not qualify for exemption from Federal income tax.

Although you do not qualify for exemption under section 501(c)(4) of the Code, it appears that you may qualify for treatment under section 528, a section of the Code created by the Tax Reform Act of 1976, which is applicable to certain homeowners associations. The internal Revenue Service is not ruling on the question of whether organizations qualify for treatment under section 528, and there are no application forms required to be filed. If you believe you qualify for such treatment, you should file Form 1120-H. If you do not qualify under section 528, you are required to file Federal is come tax returns on Form 1120. Publication 388, Forms 1120-H and 1120 are enclosed.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file a written protest in accountance with the instructions set forth in the enclosed Publication 892.

If you agree with these conclusions or do not file a written protest, you should file the enclosed Federai income tax return(s) within 30 days with Chief, Employee Plans/Exempt Organizations Division, P. C. Box 2135, Austin, Texas 78768.

Sincerely,

District Director

Enclosures: Publication 892 Fublication 588 Forms 1120-H Forms 1120